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SUMMARY

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Info as of 11 Oct 55

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Yugoslavs Promise Greater Co-operation with American Aid Program

The agreement concluded on 1 October between Yugoslav leaders and Deputy undersecretary of State Murphy to allow increased inspection by American officials of the use of military aid supports Belgrade's professed desire to maintain its ties with the West while it improves relations with the East. While this agreement constitutes no major policy shift, it involves a point of prestige about which the Yugoslavs have previously been adamant.

These negotiations culminate a series of Yugoslav moves during the past few months to achieve an economic balance in relations with East and West which is consistent with its political position.

Belgrade agreed to allow an increase in the American military aid staff (AMAS) from its present level of 44 to not less than 60. The Yugoslavs have previously opposed any large over-all increase and have been very difficult over even individual increments above the originally agreed upon level of 30. In addition, Belgrade promised to act more promptly on AMAS requests for information, to allow inspection of all units receiving aid, and to grant the chief of AMAS freer access to the Yugoslav military leaders.

The Yugoslavs clearly indicated, however, that they had no desire to engage in future military planning with the West. They avoided any discussion of this problem on the grounds that they had presented their own plans fully during the last tripartite (US-UK-French) talks, held in August 1953.

Although agreement on the question of access to military leaders was apparently ordered by Tito, actual Yugoslav co-operation on these matters will depend largely on how well the top military figures, who have apparently been the source of some of the previous discord, carry out the spirit of the over-all agreement.

The Yugoslavs were probably motivated by a realization that their desire for economic aid could be fulfilled only after they had made the concessions required for a resumption of US military aid. Furthermore, they realized that the called-for concessions would not infringe on their highly valued independence.

They also apparently realize, since Yugoslav vice president Vukmanovic-Tempo's trade talks in Moscow, that they cannot get all they had hoped for from that direction. The Tempo mission failed to obtain certain desired internal investment credits, and Hungary, the only Satellite owing Yugoslavia a substantial sum from pre-1948 days, has not yet agreed to a settlement.

Hence, Belgrade's economic chiefs probably believed that minor concessions were necessary to assure that the United States would actually grant the \$34,500,000 in economic aid voted by Congress, as well as a supply of surplus wheat. They now have been assured of 300,000 tons of wheat and consideration of more in the future. In addition, the Yugoslavs undoubtedly hope for results from Murphy's promise to urge the Export-Import Bank to consider further a loan for the Majdanpek copper mine, long a favorite Yugoslav project.

The Yugoslavs gave an oral promise to continue abiding by the provisions of the Battle Act. Despite earlier statements suggesting a review of their strategic trade policy when the 1956 economic plan is considered, they are likely to refrain from contraventions of the Act as long as they desire American aid and believe it still obtainable. (SECRET)